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May 24, 2000

BY HAND

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 Twelfth Street, S.W.
12th Street Lobby
TWA-325
Washington, D.C. 20554

Re: Comments of Philips Electronics North America Corporation
(PP Docket No. 00-67)

Dear Ms. Salas:

Enclosed for filing please find the original and nine (9) copies of the Comments of Philips Electronics North America Corporation in the above-referenced docket.

Please stamp and return to this office with the courier the enclosed extra copy of this filing designated for that purpose. Please direct any questions that you may have to the undersigned.

Respectfully submitted,

Sara W. Morris
Telecommunications Consultant

Enclosures

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Compatibility Between	)	PP Docket No. 00-67
Cable Systems and	)	
Consumer Electronics Equipment	)	
	)	

COMMENTS OF
PHILIPS ELECTRONICS NORTH AMERICA CORPORATION

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COMMENTS OF
PHILIPS ELECTRONICS NORTH AMERICA CORPORATION

I. INTRODUCTION

Philips Electronics North America Corporation ("Philips") respectfully submits these Comments in response to the Federal Communications Commission's ("FCC" or "Commission") *Notice of Proposed Rulemaking* in the above-captioned proceeding.[1]

Philips commends the Commission for its tireless efforts to encourage the adoption by industry of technical standards and other agreements to facilitate compatibility of cable television systems with digital television ("DTV"). Philips has participated, either directly or through its principal trade association, the Consumer Electronics Association ("CEA"), in inter-industry negotiations on these matters and is strongly encouraged both by the cooperative spirit that has characterized these efforts and the steady (at times, brick-by-brick) progress achieved to date.

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[1] *See In the Matter of Compatibility Between Cable Systems and Consumer Electronics Equipment,* PP Docket No. 00-67, Notice of Proposed Rulemaking, FCC 00-37 (rel. April 14, 2000) ("NPRM").

It is no small feat that in every issue area – technical specifications for direct connection of DTV receivers to cable systems (including cable systems' carriage of Program and System Information Protocol, or "PSIP"), DTV product labeling and copy protection – agreements have either been or are close to being reached. This is not to say, however, that more work will not be needed. Indeed, the complexity of these issues and manufacturers' desire to meet the still fluid roll-out needs of various DTV stakeholders (including cable operators, broadcasters and consumers) will require continuous and well coordinated industry efforts as these agreements are implemented and further refined.[2]

Accordingly, the role of the Commission in this ongoing process should be to continue to closely monitor and encourage industry-led efforts to the greatest extent possible, intervening only as a last resort. To that end, Philips welcomes the Commission's (albeit reluctant) decision to initiate the instant rulemaking proceeding, as it has helped to crystallize the remaining compatibility issues – product labeling and copy protection – and, consequently, will likely lead to industry agreements that will obviate further action by the Commission.

Philips urges the Commission to consider these issues, as well as those addressed in other DTV-related proceedings – including Digital Must-Carry[3] and the Commission's first Biennial Review of DTV Rules and Policies[4] -- in the broader context of how industry stakeholders are implementing the conversion from analog to digital television.

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[2] For instance, the NCTA/CEA agreement in principle on carriage of PSIP data will require additional work regarding its implementation – work that is already underway. Philips is confident these efforts will proceed swiftly and urges the Commission to remain involved in ensuring that industry-developed solutions are reached as quickly as possible and without a need for formal government involvement.

[3] *In the Matter of Carriage of Transmissions of Digital Television Broadcast Stations,* CS Docket No. 98-120, 13 FCC Rcd 15092 (1998) (*"Digital Must Carry proceeding"*).

[4] *In the Matter of Review of the Commission's Rules and Policies Affecting the Conversion to Digital Television*, Notice of Proposed Rulemaking in MM Docket No. 00-39, FCC 00-83 (rel. March 8, 2000).

Appropriate resolution of the regulatory issues addressed in the Digital Must Carry proceeding, in particular, will be fundamental in creating a "win-win" situation for all DTV stakeholders. This must be driven largely by the manner in which these DTV stakeholders will use the new opportunities created by the conversion to digital technologies to offer new types of services to consumers. An ongoing dialogue between and among all parties, bolstered by vigilant Commission oversight, will be critical to ensuring that the marketplace drives the DTV transition and consumers are able to benefit from a wealth of new DTV equipment and services.

II. STATEMENT OF INTEREST IN THIS PROCEEDING

Philips is a leader in nearly all areas of digital television technology, offering innovative products that span the entire chain of the DTV service and exploit digital television technologies to transform consumers' traditional television experience.

Consistent with its substantial and long-term involvement in the development of DTV technology for the United States, Philips is busily engaged in carrying out its business plans for the roll out of the highest quality, state-of-the-art digital receivers. The centerpiece of Philips' HDTV consumer product line is the 64-inch rear-projection HDTV receiver featuring 1920 x 1080 lines of resolution. This receiver uses the latest technology to create for consumers an incomparable home cinema experience, combining extraordinarily sharp, clear pictures with crystal clear digital sound. Philips also will market several other projection and direct-view models, and continue its flat TV product.

Additionally, Philips plans to offer a line of digital-to-analog converter boxes capable of decoding all ATSC DTV formats, NTSC signals, and in some models, satellite delivered services, for consumers who wish to upgrade the functionality of their existing

NTSC receivers to receive DTV programming. These products will deliver to customers a level of functionality and flexibility that can be used to exploit DTV to its potential.

In addition to its line of consumer DTV products, Philips offers state-of-the-art digital broadcast production equipment enabling the complete chain of DTV service, including DTV encoders, uplink equipment, and multiplexers.

Philips also is leading the way in offering products that exploit other digital entertainment and information technologies, including: digital satellite television (manufacturing receiver equipment for use with both Echostar and DIRECTV services), digital cable set-top boxes, and innovative WebTV and TiVo products, which are revolutionizing the way consumers interact with their televisions, and hastening the convergence of the Internet and television realms.

The breadth of Philips' DTV products, particularly with regard to the availability of digital set-top boxes, reflects Philips' view that the DTV transition will be greatly facilitated by the availability of set-top boxes that will offer consumers a wide array of digital services from various service providers and manufacturers. Philips intends to work with all stakeholders – DTV-related service providers, cable operators, and consumers alike – to make devices available that exploit the best potential applications possible under the ATSC DTV standard (as well as other digital technologies, such as high-speed broadband technologies), and that encourage broad consumer interest and participation in the DTV transition.

III. DTV PRODUCT LABELS SHOULD UNAMBIGUOUSLY INFORM THE CONSUMER OF A DEVICE'S FUNCTIONALITY

As the Commission is well aware, the cable and consumer electronics industries have made great strides to resolve the matter of whether any DTV receiver (or set-top

box) that does not include a 1394 connector should be labeled as "cable-ready." The Commission seeks comment on this matter.[5]

As a factual matter, a DTV's "cable-readiness" does not depend on the existence of a 1394 interface. A DTV receiver with POD and OpenCable Network Interface (QAM), but without a 1394 connector, will be "cable-ready," as it will be able to directly connect to the cable network and receive and display digital cable content without the need for a STB, similar to analog "cable-ready" receivers today.[6]

Alternatively, to obtain a wider array of digital cable services – particularly interactive services – and full resolution display of HDTV content received through the advanced STB, a consumer can purchase a 1394-equipped receiver. Additionally, because the 1394 connector was designed to ensure interconnectivity between and among a host of digital devices (*i.e.,* digital VCRs, DVDs, camcorders, etc.) and not just between digital cable STBs and DTV receivers, receivers with a 1394 connector may better serve consumers interested in upgrading and expanding their digital home network.

In the final analysis, while these two equipment scenarios are differentiated by the type of cable services they can receive, both are clearly "cable-ready" in the sense that they can be connected to the cable network.

Clearly the consumer will have a choice between multiple paths through which to make the transition to DTV. That choice will be driven not only by the variety of equipment DTV manufacturers already are making available (including integrated DTV

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[5] *NPRM* at ¶ 18.

[6] An imminent CEA/NCTA compromise on labeling includes two designations for "cable-ready" equipment: "Digital TV – Cable Connect" (POD module only), and "Digital TV – Cable Interactive" (POD module + 1394). In addition, discussions are currently underway for a third level of compatibility, wherein interactive functions can be performed without the need for a STB (i.e., in the DTV receiver), and technical discussions are underway to achieve that specification.

receivers and STBs), but also by the consumer's cost constraints, the degree to which they wish to allow for future upgrades, and, perhaps most importantly, the types of services offered by his or her cable operator *and* the capabilities included in various advanced digital STBs.[7]

Philips submits that it is not the job of manufacturers, cable operators, or the government to make these choices for the consumer. Instead, our collective responsibility must be to inform the consumer as to the precise capabilities of the equipment they are purchasing to make sure the ultimate decision they make is an informed one. Therefore, it is critical, under each of these scenarios, that equipment be labeled unambiguously to ensure the consumer is fully informed about its functionality.

Specifically, a consumer must know that the DTV receiver without a 1394 connector is "cable-ready" to the extent it can receive cable-delivered programming services, but that its functionality may be limited with regard to more advanced interactive services, and potentially the display of HDTV content, depending upon what the cable operator provides and what capabilities are built in to the digital set-top box.[8]

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[7] For instance, Philips understands that OpenCable is intending to use the 1394 interface between the STB and an HDTV in order to be able to descramble the content in the STB+POD and decode high definition content in the HDTV receiver, presumably allowing for a simpler STB design. As a consequence, while 1394 may not be essential to connecting an (H)DTV receiver with an integrated POD to the cable network, it will be essential on an HDTV receiver to enable displaying of HDTV content from an advanced digital STB.

[8] As a consequence, defining only two levels of "cable-ready" may not be sufficient to effectively inform the consumer of all the different possibilities and limitations of the different combinations of DTV receivers, analog TV receivers and STBs. Importantly, consumers should also be informed by their cable operator as to the functionality of the equipment they use to receive advanced digital cable services.

IV. THE COMMISSION SHOULD ENSURE THE ADOPTION OF CLEAR, NON-ONEROUS LICENSING TERMS FOR COPY PROTECTION AND CONSUMER PROTECTIONS FOR LEGACY EQUIPMENT

As Philips and other CE manufacturers have consistently urged, protection of digital content from illegal copying is a critical element to the success of the DTV transition.[9] Content providers must have a sufficient level of confidence that, in the digital environment, where unlimited numbers of perfect duplicates are possible, their content is protected. On the other hand, adoption of a copy protection system must not effectively strip consumers of their hard-fought "fair use" rights and the ability to enjoy the full functionality of the equipment they have purchased.

At its heart, the issue of copy protection is not a DTV-cable compatibility issue at all. Copy protection is relevant for *any* digital medium. And although the proposed 5C copy protection system is critically linked to the 1394 interface, ultimately, final adoption of a copy protection system is a matter that can only be resolved by the content community and the cable industry.

To the extent the Commission becomes involved in copy protection, it should be to ensure, for reasons already addressed, that an agreement is reached as soon as possible. In addition, however, the Commission also should ensure that the parties adopt clear, uniform and reasonable licensing terms; and, that the interests of consumers are protected with respect to the functionality of legacy equipment already in the marketplace.

Copy Protection Licensing: Any agreement between the cable and content industries on POD / host copy protection must include uniform and non-onerous licensing

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[9] *See, e.g., In the Matter of Review of the Commission's Rules and Policies Affecting the Conversion to Digital Television,* MM Docket No. 00-39, Comments of Philips at 19; Comments of the Consumer Electronics Association at 25.

terms for product manufacturers. Currently, lack of agreement on the licensing terms governing OpenCable product certification is needlessly delaying manufacturers' efforts to bring these devices to market.

Circuit City has raised serious concerns with regard to CableLab's proposed "DFAST" licensing terms.[10] Philips shares Circuit City's concerns and agrees that POD technology licensing terms may not tie product certification to anything (such as copy protection) other than security or conditional access, as required under the Commission's rules.[11] While the DFAST license may impose security and conditional access obligations, it may not impose copy protection requirements.[12]

Swift resolution on this matter is critical. Without a retail product license in place, manufacturers cannot proceed with digital cable set-top box product development, consumers cannot benefit from a competitive array of navigation devices to receive DTV and other services, and DTV penetration levels will be unnecessarily suppressed.

Legacy Equipment: Agreements on POD / host copy protection must ensure that legacy products deployed in the market do not become obsolete as a result of updates or improvements in copy protection approaches. Consumers, particularly the early adopters who have paid premium prices for some equipment, would rightly revolt were their equipment suddenly to become inoperable, either due to an alteration in the copy protection scheme or other changes in the specification.

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[10] *See* Letter from Robert. S. Schwartz to Magalie R. Salas FCC, Office of the Secretary (dated Feb. 2, 2000), in CS Docket No. 97-80.

[11] Part 76.1204(c) of the Commission's Rules, 47 C.F.R. § 76.1204(c), prohibits licensors from imposing requirements unrelated to protection against threats to system security and conditional access.

[12] In addition to the concerns raised by Circuit City, troubling uncertainties with regard to aspects of the proposed DFAST license make Philips' endorsement of DFAST premature at this time.

V. CONCLUSION

Philips again commends the Commission for its active involvement in encouraging affected industries to resolve long-standing disagreements on cable compatibility issues. For its part, Philips intends to continue its work with interested parties to ensure a seamless transition to digital transmission and new services for all consumers and to increase and expand DTV access to all Americans, particularly the vast majority who rely on cable to receive video programming services.

Respectfully submitted,

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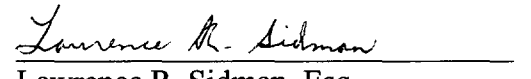

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